

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking Regarding  
Policies, Procedures and Incentives for  
Distributed Generation And Distributed  
Energy Resources.

Rulemaking 04-03-017

**RESPONSE OF PACIFIC GAS AND ELECTRIC COMPANY TO  
FUELCELL ENERGY'S PETITION FOR MODIFICATION OF  
DECISION 04-12-045 REGARDING SELF GENERATION INCENTIVE  
PROGRAM CAP**

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Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: August 24, 2007

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**I. INTRODUCTION AND SUMMARY**

In accordance with Rule 16.4(f), Pacific Gas and Electric Company (PG&E) respectfully submits this response to FuelCell Energy's Petition for Modification (Petition) of Decision (D.) 04-12-045 (Decision). FuelCell Energy originally filed its Petition in the Solar Rulemaking (R.06-03-004) and then at the request of the docket office, filed it in this Docket, which the CPUC web site indicates has been reopened. In its Petition, FuelCell Energy requests that the Decision be modified to increase the limit of incentive payments available to fuel cell projects under the Self Generation Incentive Program (SGIP) from 1 MW to 3 MW to "stimulate the much-needed market transformation for affordable fuel cell technology" among other things. PG&E supports increased use of fuel cell technology and requests that the CPUC approve the Petition increasing the SGIP incentive cap from 1 MW to 3 MW on renewable fuel cells with the addition of the following conditions:

1. Projects that use renewable fuel can receive \$4.50/watt for up to the 1<sup>st</sup> MW, and \$2.50/watt for the incremental MW (up to 3 MW) while projects that use non-renewable fuel will continue to have an incentive limit of up to 1 MW;

2. The increase in the SGIP incentive cap should be permitted on a 2-year pilot basis, after which the CPUC should reevaluate the program participation and incentive amounts.

PG&E believes that its proposed revisions to the Petition will balance the interest of its general body of customers while helping stimulate the growth of SGIP technologies. PG&E also takes this opportunity to urge the CPUC to adopt a SGIP budget for 2008, as D.06-12-033 only adopted a budget for 2007.

## **II. DISCUSSION**

As stated in the summary above, PG&E supports the increased deployment of SGIP technologies and to that end is supportive of the concept presented in FuelCell Energy's Petition. In analyzing whether to support the Petition, PG&E reviewed participation of fuel cell technologies in the SGIP program since its inception in 2001. In PG&E's service area, six renewable fuel cell projects (adding up to 5.9 MW) have received conditional reservations for \$23.4 million, and remain active, but none have yet been completed or paid. Six non-renewable fuel cell projects have been completed and paid, and four others remain active.<sup>1</sup>

In the other utility service areas, PG&E found that there have been two renewable fuel cell projects in Southern California Edison's (SCE's) territory that have received SGIP incentives (there are other renewable fuel cell projects in development, but none have yet been completed).<sup>2</sup> Thus, PG&E agrees with FuelCell Energy that the market for renewable fuel cell technology needs to be stimulated.

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<sup>1</sup> See data at:

[http://www.pge.com/includes/docs/word\\_xls/suppliers\\_purchasing/new\\_generator/incentive/Project\\_Summary\\_080607.xls](http://www.pge.com/includes/docs/word_xls/suppliers_purchasing/new_generator/incentive/Project_Summary_080607.xls).

<sup>2</sup> See Self-Generation Incentive Program Semi-Annual Renewable Fuel Use Report No. 9 for the Six-Month Period Ending December 31, 2006 available at the following website:

[https://www.pge.com/regulation/DistGen-DistEnergyRes-II/OtherDocs/PGE/2007/DistGen-DistEnergyRes-II\\_Other-Doc\\_PGE\\_20070319-01.pdf](https://www.pge.com/regulation/DistGen-DistEnergyRes-II/OtherDocs/PGE/2007/DistGen-DistEnergyRes-II_Other-Doc_PGE_20070319-01.pdf)

In order to encourage renewable projects, PG&E proposes that FuelCell Energy's request to increase the incentive cap from 1 MW to 3 MW be extended to only projects that use renewable fuel. Since initial results show that fuel cells that are fueled by renewable fuel have a larger net reduction in CO<sub>2</sub> equivalent than fuel cells run by non-renewable fuel, PG&E believes that SGIP should be used to help stimulate the market for technologies that employ renewable fuels as they provide multiple environmental benefits and are consistent with the CPUC's GHG policies.

However, to ensure that the SGIP budgets are not depleted, PG&E is suggesting a tiered incentive approach for renewable projects, in which they would receive the full renewable incentive rebate amount for the first MW, and a lower rebate amount for the incremental MWs (up to 3 MW). For example, PG&E proposes that a 3 MW renewable fueled fuel cell project would receive the following incentive:

$$\text{SGIP Incentive} = (1 \text{ MW} \times \$4.50/\text{watt}) + (2 \text{ MW} \times \$2.50/\text{watt}) = \$9,500,000.$$

PG&E's SGIP budget for renewable projects for 2007 is only \$16.2 million. The proposal in the Petition to Modify would allow a single project to receive 83% of this budget through a \$13.5 million incentive payment (\$4.50 per watt multiplied by 3 MW). PG&E's proposal extends the limited SGIP budget further than the proposal in the Petition to Modify.

In order to ensure that the increase in the incentive cap has its desired effects while balancing the interests of all customers, PG&E requests that the CPUC allow an increase in the incentive cap from 1 MW to 3 MW for projects that use renewable fuel for an initial two-year pilot period with the tiered incentive rates. PG&E does not recommend a one-year pilot period because SGIP projects often have lengthy start-up periods. After the recommended two-year pilot period, the CPUC should reevaluate SGIP program participation and whether the current incentives levels are appropriate.

According to AB 2778 (enacted in 2006, amending PU Code section 379.6), starting in 2008, the only technologies eligible for SGIP incentives will be fuel cells and wind turbines. If the

CPUC adopts PG&E's recommendation to increase the size for renewable fuel cell projects to 3 MW on this trial basis, the CPUC should also consider increasing the incentive for wind turbines to 3 MW for consistency.

An additional item for consideration is the annual budget for the SGIP beyond 2007. Currently, Decision 06-12-033 set the 2007 SGIP budget at \$83 million statewide. However, there is currently not any Commission guidance or authorization for a SGIP budget beyond 2007. PG&E requests that the Commission uses this opportunity to set and authorize the 2008 SGIP budget.

### **III. CONCLUSION**

PG&E appreciates the opportunity to comment on FuelCell Energy's Petition and urges the CPUC to adopt it with PG&E's proposed revisions, as described above.

Respectfully Submitted,

RANDALL J. LITTENEKER  
STACY W. WALTER

By: \_\_\_\_\_/s/\_\_\_\_\_  
RANDALL J. LITTENEKER

Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: August 24, 2007

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, Post Office Box 7442, San Francisco, CA 94120.

On the 24th day of August 2007, I served a true copy of:

**RESPONSE OF PACIFIC GAS AND ELECTRIC COMPANY TO FUELCELL  
ENERGY'S PETITION FOR MODIFICATION OF DECISION 04-12-045 REGARDING  
SELF GENERATION INCENTIVE PROGRAM CAP**

[X] by electronic service to the e-mail addresses for the parties listed on the official service list for R. 04-03-017.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 24th day of August 2007 at San Francisco, California.

\_\_\_\_\_  
/s/  
Patricia A. Kokason